

Global Survey of Living Wage Initiatives

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In this paper, we review and assess key studies, campaigns and initiatives to help achieve a living wage for garment workers in the global supply chains of major international apparel brands and retailers.

The paper includes:

- A brief review of the global context;
- A description of three living wage methodologies (developed by the Asia Floor Wage Alliance, Richard Anker, and the Center for Reflection, Education and Action) and several initiatives of trade union and labour rights organizations and academics that attempt to apply these methodologies;
- Demands being put forward by international labour rights organizations on steps brands should take to achieve payment of a living wage;
- What brands are currently doing in response to demands for a living wage; and
- Where four multi-stakeholder initiatives stand on the living wage issue.

The paper concludes with an assessment of the lessons from these living wage studies, campaigns and initiatives and their applicability to other garment producing regions and countries.

A. GLOBAL CONTEXT

In an era of globalization in which major apparel and other consumer products companies are outsourcing the production of their products to low-wage countries, competition between regions, countries and factories for investment and orders has resulted in a race to the bottom on wages and other labour costs.

Although there has been some progress in pressuring international brands and retailers¹ at the top of global supply chains² to take steps to ensure that workers' rights are respected in their supplier factories, there has been little progress to date on the problem of poverty-level wages.

¹The term "brand" is generally used to describe companies like Nike, adidas and Levi's that outsource all or most of the manufacturing of their apparel products to suppliers in other countries, and whose primary business is designing and marketing those products. The term "retailer" is generally used to describe companies like Walmart, JC Penney and Target that own chains of retail stores that sell products of other brands as well as their own brand-name products. However, some brands like Gap and Zara also own the retail stores where their products are sold. In this report, we often use the term "brand" to apply to both brands and retailers.

²The term "global supply chain" refers to the supplier factories and subcontract facilities around the world that produce apparel products for a brand or retailer. Brands and retailers at the top of global supply chains have considerable power to determine the price of production, design and components of products, and delivery deadlines.

In this difficult context, garment workers in some of the lowest wage countries, such as Bangladesh and Cambodia, have mounted national strikes and/or massive protests demanding significant increases in the legal minimum wage. In the case of Cambodia, these mobilizations have been met with government repression and new restrictions on freedom of assembly and freedom of association.

Although most of these national strikes and workers protests have taken place in Asian countries, there have also been worker mobilizations on wages in some countries in the Americas. In Haiti, for example, unions have mounted protests demanding an increased minimum wage and enforcement of the existing minimum wage law. In Honduras and Nicaragua, some progress has been made by federations in negotiating the minimum wage at the national level and by unions in negotiating wage increases at the factory level beyond tri-partite agreed minimum wages.

Many of these national and workplace struggles for decent wages have been accompanied by international campaigns pressuring brands to support increases in the minimum wage or to ensure that their suppliers negotiate in good faith with workplace unions on wages and other issues. In a few cases, such as the recent wage struggle in Cambodia, a group of leading brands have been willing to join with Global Unions in calling on the government and their suppliers to resume negotiations for an increase in the minimum wage.

However, employers and governments in garment-producing countries continue to resist demands for increased wages, arguing that brands are unwilling to adjust prices paid to

suppliers to allow for wage improvements, and that if wages did increase, these brands would shift orders to other low-wage countries.

Faced with this deadlock on wages, trade union and labour rights organizations, such as the Clean Clothes Campaign (CCC), IndustriALL and the Asia Floor Wage Alliance (AFWA) have launched international living wage campaigns and are exploring new regional and international strategies to link the demand for improved wages with the demand for payment of adequate prices to suppliers to allow wage improvements to be negotiated.

In response to these campaigns and the instability associated with growing worker protests and strikes for decent wages, some brands and multi-stakeholder initiatives (MSIs)³ are exploring possible strategies to improve wages without significantly increasing total labour costs.⁴ Most of these company-led initiatives focus on increasing productivity at the factory level, rather than increasing prices paid to suppliers. Only a few brands and one MSI, the Fair Wear Foundation, are going a step further and exploring ways to measure the difference between existing wages and a living wage in particular countries, and to identify steps needed to achieve a living wage over time (see Section C below, p. 9).

Meanwhile, international and regional trade union and labour rights organizations are developing their own living wage assessment mechanisms and/or carrying out measurements of a living wage in various countries. They are using their research findings to pressure international brands to negotiate with unions and suppliers on prices paid to suppliers, wages, and mechanisms that ensure that any increase in

³ A multi-stakeholder initiative brings together various companies and civil society organizations, such as NGOs and unions, with the objective of finding ways to achieve and maintain compliance with social and/or environmental standards, usually in global supply chains.

⁴ Total labour costs include all financial compensation paid directly or indirectly to workers, including wages, monetary benefits, overtime pay, production bonuses, employer contributions to social security and other government programs. It can also include employer subsidies to workers for such things as meals, transportation and workplace health clinics. Many brands argue that increasing productivity and efficiency and eliminating waste at the workplace can make it possible to increase workers' wages without increasing the prices they pay to their suppliers.

price goes to workers, rather than the employer's profits.

B. LIVING WAGE MEASUREMENT INITIATIVES

The following is a brief summary of living wage measurement methodologies and initiatives for the garment sector that have been developed by trade union and labour rights organizations and academics. These include initiatives that focus on one country or a number of countries, and two that apply the same methodology to develop and gain agreement on regional living wage formula in two geographic regions (Asia and Eastern Europe).

Although there are a number of differences between these initiatives, most of them include similar criteria for determining a living wage, such as:

- Definition of normal workweek;
- Average number of a worker's dependents;
- Average cost of food for a worker and his/her dependents;
- Average cost of non-food necessities, including housing, fuel, clothing, transportation, children's education, health care, etc.;
- Ratio of food to non-food costs;
- Amount for discretionary expenses or savings; and
- Goods and/or services that are provided by employers or government.

Because the specific elements in these criteria vary from country to country, sector to sector and region to region, living wage formulas must be adjusted to fit the particular circumstances.

1. Asia Floor Wage Alliance

The Asia Floor Wage (AFW) Alliance has developed a methodology and formula to calculate a regional minimum living wage (Asia Floor Wage) for major garment producing countries in the region.⁵ The purpose is to challenge wage competition between countries in their region that results in a race to the bottom on wages. If the AFW formula were successfully implemented on a regional basis, workers in different countries in the region would earn a sufficient base wage to purchase the same level of goods and services needed to meet the basic needs of themselves and their dependents. This should prevent manufacturers and governments in each country from gaining competitive advantage by providing lower living standards to workers in their country.⁶

How does it work?

Step 1: Prior to publicly launching the Asia Floor Wage campaign in October 2009, local trade union and labour rights organizations carried out basic food basket research in seven garment-producing countries in the region – Bangladesh, Cambodia, China, India, Indonesia, Sri Lanka and Malaysia. The cost of food to meet basic needs was calculated on the basis of 3,000 calories per “consumption unit”⁷ per day. A normal workweek was defined as the legal minimum hours before overtime, but no greater than 48 hours per week.

Step 2: Based on the country level research, AFW Alliance members agreed that a minimum living wage should meet the basic needs of three consumption units.⁸

⁵ *Stitching A Decent Wage Across Borders*, The Asia Floor Wage Proposal, 2009
<http://www.cleanclothes.org/resources/publications/afw.pdf>

⁶ Although competition between countries in Central America for investment and orders may have a negative impact on workers' wages, there is more evidence of shifts in investment and sourcing between countries in Asia, for instance recent shifts of orders from China to Vietnam.

⁷ The worker and adult dependents are each defined as a consumption unit; each dependent child is defined as ½ a consumption unit.

⁸ These could be made up of two adults and 2 children, 3 adults, 1 adult and four children.

Step 3: In each country, the cost of a daily food basket of 3,000 calories was multiplied by three consumption units, and that figure was then multiplied by 30 to determine the monthly cost.

Step 4: The AFW Alliance estimated that for garment workers in the region there is approximately a one-to-one ratio between food costs and non-food costs. Therefore, by doubling the food cost figure, they could determine the floor wage for each country. (The total figure also included 10% for discretionary expenses or savings.)

Step 5: National coalitions then used the Purchasing Power Parity (PPP) conversion factor⁹ set for each country by the World Bank to convert their national floor wage to a PPP dollar figure.¹⁰

Step 6: Once the PPP\$ figures for each country were gathered together, the AFW member organizations arrived at consensus on the appropriate AFW PPP\$ figure for the region, which could be a simple average of the national PPP\$ figures.

The regional AFW for 2009 was PPP\$475 per month

The current AFW (calculated in 2013) is PPP\$725 per month.

In theory, Alliance member organizations will use this Asia Floor Wage figure to campaign for increases in garment workers' wages in each country. In practice, however, trade union organizations in the region have tended to set lower targets in their campaigns for increases in the minimum wage. This is not surprising given that in the majority of countries surveyed, current

minimum wages were less than half the Asia Floor Wage figure (19% for both Bangladesh and Sri Lanka; 21% for Cambodia; 26% for India; 31% for Indonesia; 46% for China; and 54% for Malaysia).¹¹

The AFW Alliance has been successful in focusing public attention, both at the national and international levels, on the wide gap between existing wages and a minimum living wage. One example of this work is the convening of national Living Wage Tribunals in which workers give testimonies comparing their current wages and the amount they need to meet the basic needs of themselves and their dependents. The tribunals bring public, government, employer and brand attention to the problem of poverty wages in particular countries. Tribunals have been held in Cambodia, Sri Lanka and most recently in Indonesia.

A longer-term goal of the Alliance is to bring brands into negotiations with unions and the brands' local suppliers to achieve increases in both wages and the prices paid to suppliers that would allow for payment of a living wage by local standards. However, while the launching of the Asia Floor Wage campaign in 2009 did force major brands to pay more attention to the wage issue and to enter into dialogue on the issue with AFW Alliance member organizations, the Alliance has so far been unsuccessful in forcing brands to the negotiating table.

The strength of the Asia Floor Wage approach is that organizations in the garment-producing countries in the region have had a role in developing the common formula and negotiating the floor wage. It is worth noting, however, that organizations in the highest and lowest wage countries in the region – China and Bangladesh – have generally been less committed to the floor wage as a target and less active in the campaign.

⁹The purchasing power parity conversion factor is the number of units of a country's currency required to buy the same amounts of goods and services in the domestic market as a U.S. dollar would buy in the United States.

¹⁰The national floor wage figure in local currency is converted to a US dollar figure, which is then multiplied by the PPP conversion factor for that country, giving you the national floor wage in PPP dollars.

¹¹ Percentages are based on 2013 figures. See <http://www.cleanclothes.org/livingwage/living-wage-versus-minimum-wage>

As the AFW Alliance points out, a regional floor wage figure “necessarily falls within a spectrum of ideal wage demands in different countries.” It goes on to say, “There is no magic spell with which to decide on a figure from this range... this can only be decided through a political process of deliberation, discussion and consensus-building between different national alliances.”¹²

It is worth noting that although IndustriALL has so far refrained from publicly endorsing the Asia Floor Wage campaign, possibly because of its emphasis on the importance of wage negotiations at the national, rather than regional, level, the International Trade Union Confederation (ITUC) organized a seminar on the Asia Floor Wage at the June 2014 International Labour Conference, which was attended by representatives of the ITUC, ILO, IndustriALL, and trade unions from a number of countries.

2. Eastern European Living Wage Calculation

For its living wage research in Eastern Europe and Turkey,¹³ the Clean Clothes Campaign (CCC) and its partner groups in that region adjusted the Asia Floor Wage Alliance’s formula for calculating a living wage to make it applicable to the reality in their countries.

A slight change was made in the average number of dependents per worker from 3 in Asia to 2.5 in Eastern Europe and Turkey. While the average number of children per household in Eastern Europe and Turkey was smaller than in Asia, the

average number of adult dependents was higher than one might expect. Due to the high unemployment rate and inadequate social security benefits in Eastern Europe, those employed were likely to be supporting unemployed, retired, ill or disabled adult family members.

The ratio of food versus non-food costs was also adjusted. Researchers found that the ratio between food and non-food costs varies considerably between the countries studied.¹⁴ To accommodate these differences, they divided the countries into three groups with different food to non-food ratios: 20%, 33.4%, and 50%.

The research was carried out in nine Eastern European countries and Turkey¹⁵ that produce clothes for the Western European market. CCC and their partner organizations in Eastern Europe and Turkey are using this study as a tool to pressure European brands, such as H&M, Zara and adidas, as well as some high fashion brands, such as Hugo Boss and Prada, to take steps to ensure that their suppliers in the region are paying a living wage, and to pay sufficient prices to those suppliers to make that possible.

The CCC’s Eastern Europe living wage initiative shows that the AFW methodology can be successfully adapted to other regions with different conditions regarding family size, food vs. non-food costs, government and employer subsidies, etc.

¹² *Stitching a Decent Wage Across Borders*, Asia Floor Wage Alliance, 2009, p. 56. <http://www.cleanclothes.org/resources/publications/afw.pdf>

¹³ *Stitched Up: Poverty Wages for Garment Workers in Eastern Europe and Turkey*, Clean Clothes Campaign, 2014, <https://www.cleanclothes.org/resources/publications/stitched-up-1>

¹⁴ Food expenses as a share of total household expenses varied from 19.6% in Turkey to 50.2% in Ukraine.

¹⁵ The study found that garment workers’ wages in the region are not only below living wage levels, but also below subsistence and poverty levels, and that some workers were being paid less than the legal minimum wage. The situation of women workers was particularly bad, due to discrimination in pay and treatment. The study notes that in 2013 Bulgaria, Macedonia and Romania had lower minimum wages than China, and that Moldova and Ukraine had lower minimum wages than Indonesia. In most countries surveyed, the gap between the legal minimum wage and the estimated minimum living wage was wider than in most Asia garment-producing countries. In Ukraine, Macedonia and Bulgaria, the minimum wage provided only 14% of the estimated living wage, and in Georgia the figure was only 10%.

3. Richard Anker, retired Senior Economist, ILO, Visiting Scholar, Political Economy Research Institute, University of Massachusetts

Economist Richard Anker has developed a methodology for measuring a living wage that he claims is applicable to both developed and developing countries. Testing his methodology in a 2005 statistical study of poverty lines and living wage rates, Anker found that living wage rates are approximately 2-3 times the median wage rate in the low income countries studied and about 2/3 the median rate in the high income countries studied.

Like the AFW Alliance and the CCC Eastern Europe studies, Anker's research takes into consideration issues of average family size for workers in the particular sector and country, actual food preferences, etc. He also agrees with the AFW Alliance and CCC that a living wage must be earned in a normal work week, and not include overtime pay. Unlike the AFW model, Anker advocates measuring non-food costs through on-the-ground research, rather than by estimating them based on a ratio of food to non-food costs, arguing that there are often significant differences in housing costs between countries.

In an October 2013 living wage study¹⁶ for Fairtrade International and Social Accountability International (SAI) on living wages for banana plantation workers in the Dominican Republic, Richard and Martha Anker calculated a worker's household expenses based on a family size of four (two adults and two children). They also calculated the average number of workers per household, defining it as 1.67 workers per family unit (based on the local labour force participation rates, unemployment rates, and part-time employment rates).

Unlike the AFW and CCC studies, the Anker's researched non-food costs, as well as food costs. Non-food costs included housing (including minor repairs, furniture, and appliances), electric-

ity, cooking fuel, water, clothing and footwear, health care, education, transportation, communication, recreation and culture, and miscellaneous goods and services. Taking into consideration the fact that many plantation workers receive free transportation and subsidized meals, the value of those subsidies were deducted from the total cost figures.

The advantage of Anker's methodology is that it provides more precise data on actual non-food costs in particular countries and between urban and rural areas. However, the additional human and financial resources needed to carry out detailed market basket research in each garment-producing country in a region might not be worth the effort and expense for labour and other civil society organizations involved in a regional floor wage initiative, particularly in a region in which non-food costs for workers in the garment export sector are relatively similar.

It's also worth noting that Fairtrade International's Hired Labour Standards, which cover working conditions on Fairtrade-certified plantations, have recently been revised, with inputs from labour rights organizations and unions including the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF). Under these revised standards, certified plantations are required to sign a Freedom of Association protocol, give workers a written guarantee that they are free to join any union, and enter into good faith negotiations to raise wages, over time. Negotiations will be informed by a living wage benchmark and intermediary benchmarks between existing wages and a living wage.

Fairtrade International, SAI, Rainforest Alliance and other certification organizations (members of the ISEAL Alliance) have signed a MoU to develop a common set of living wage benchmarks based on the Richard Anker methodology for the countries in which they operate.

¹⁶ *Living Wage for Rural Dominican Republic with Focus on Banana Growing Area of the North*, Richard Anker and Martha Anker, October 2013.

4. CREA Purchasing Power Index

A third methodology for measuring a living wage has been developed and tested by the US-based Center for Reflection, Education and Action (CREA). According to CREA, its Purchasing Power Index (PPI) is applicable to any country, whether in the global North or South, and to any specific region within a country, and can be used to compare existing and living wages between countries.¹⁷

The PPI methodology determines workers' purchasing power by calculating the minutes of labour, based on a normal workweek excluding overtime, required to purchase goods and services that meet the worker's and his/her dependents' basic needs. Using that information, researchers then calculate the increase in wages needed in a normal work week to purchase those goods and services.

According to CREA, the use of minutes of purchasing power (minPP) to calculate living wages avoids the problems of varying currency exchange rates and inflation rates in and between different countries and at different moments in time. It therefore provides more accurate living wage figures than can be obtained by using US currency or World Bank Purchasing Power Parity (PPP) conversion factors. However, it also requires much more detailed research at the local level than does the Asia Floor Wage Alliance's methodology.

Like most other organizations doing living wage measurements, CREA defines a "sustainable living wage" as including food, clothing, housing, energy, transportation, health care, education, as well as some discretionary income for savings. However, its definition also includes "culturally required activities," such as births and related celebrations, weddings, and funerals and related activities.

Local organizations using the PPI methodology, or experts contracted by them to do so, would need to calculate the costs of all goods and services necessary to meet the basic needs of a worker and his/her dependents, as well as the minutes of work based on workers' current wage rates needed to purchase those goods and services. Monetary benefits or subsidies from employers or governments can be deducted from those figures, though CREA cautions that an assessment will be needed as to whether such subsidies "provide life essentials for workers and their families." The PPI methodology also differs from that of the AFW Alliance in calculating basic food costs based on nutritional needs rather than the calories.

The strength of the PPI methodology is that it provides credible, precise and universally applicable criteria for measuring the distance between current wage rates and those that would meet the basic needs of workers and their dependents. Its limitations are the amount of time, effort and expertise needed to measure that distance and determine a living wage figure.

5. IndustriALL Living Wage Campaign

In 2007, the Global Union for garment workers (ITGLWF, now IndustriALL), with the support of the Friedrich Ebert Foundation (FES) and the International Labour Organization (ILO), launched the Bargaining for a Living Wage Campaign.

Affiliated unions were asked to complete a common survey of food, housing, transportation, education, medical and other basic expenses for a family of four. An additional 10% for discretionary expenses or savings was added to the cost calculations. ITGLWF/IndustriALL followed up the survey process with national living wage workshops for union affiliates, including one in Nicaragua in October 2012, where the results of local wage research and how to use them to promote improvements in wages were discussed.

¹⁷ Rosenbaum, Ruth, "Applications of the Purchasing Power Index in Haiti, Indonesia, Mexico and Hartford, CT," Working Paper #42, CREA.

To date, IndustriALL's approach has focused on strengthening the capacity of affiliated unions to negotiate with their employers for a living wage and to more effectively intervene in national minimum wage setting negotiations. In order to help make this possible, IndustriALL has also engaged with international brands on measures to improve respect for freedom of association, including the signing of "right to unionize" guarantees.

In June 2014, IndustriALL held a regional workshop with affiliates in Cambodia. The workshop concluded that to successfully deliver living wages to workers, unions will need to go beyond factory-level collective bargaining and beyond government minimum wage-setting mechanisms. In its report following the meeting, IndustriALL stated, "Potential exists for agreements on living wages in specific countries between global and local unions, brands and suppliers, following the model established by the Bangladesh Accord."¹⁸

IndustriALL seems to be suggesting that the negotiation process between Global and national unions and major international apparel brands that resulted in the Accord on Fire and Building Safety in Bangladesh could be used as a model for the negotiation of a similar agreement on wages on a sectoral basis in a garment-producing country where low wages are a central problem.

6. Worker Rights Consortium

Over the past three years, the Worker Rights Consortium (WRC), a US-based independent monitoring organization, has prioritized research

on and advocacy for a living wage in the garment sector.

In 2013, the WRC published a study¹⁹ comparing wage rates between 2001 and 2011 in 15 garment-producing countries worldwide. The study also estimated living wage rates for those countries. It found that on average, prevailing straight-time wages,²⁰ before tax deductions and excluding extra pay for overtime work, in the export-apparel sectors of these countries had declined, and that in 2011 they provided barely more than a third -- 36.8 percent -- of a living wage. Wages in Bangladesh, Mexico, Honduras, Cambodia and El Salvador declined in real value by an average of 14.6% during that ten-year period.

In some countries, like Vietnam and Bangladesh (two of the world's largest and fastest-growing sourcing destinations), prevailing wages were only 22% and 14% of a living wage, respectively. For Central America and the Caribbean, prevailing wages provided the following percentages of a living wage: El Salvador 41%; Guatemala 50%; Honduras 47%; Dominican Republic 40%; Haiti 24%. Note that Nicaragua was not included in the study.

WRC Living Wage Study

The living wage country calculations cited in the WRC study used, as a base, a living wage figure calculated in the Dominican Republic (DR), based on market basket research it had conducted in 2008. That research, which is based on Richard Anker's methodology, measured the actual prices of goods and services accessible to garment workers in their communities. Similar to other

¹⁸ Although the Bangladesh Accord on Fire and Building Safety focuses on health and safety, rather than wage issues, it offers a model that could be applied to other systemic issues, including poverty wages. A key element in the Accord is that it is a legally binding agreement negotiated between Global Unions, national union federations and a significant number of major apparel brands sourcing from one country. However, unlike the Bangladesh Accord, any accord on wages would have to include suppliers as signatories, as well as brands and global and national unions.

¹⁹ *Global Wage Trends for Apparel Workers, 2001 – 2011*, Worker Rights Consortium, July 2013. <http://cdn.americanprogress.org/wp-content/uploads/2013/07/RealWageStudy-3.pdf>

²⁰ The WRC's calculation of prevailing straight-time wages includes a worker's total earnings before payroll deductions, excluding premium pay for overtime and for work on weekends and holidays and shift differentials, as well as the pro-rated monthly value of certain forms of monetary compensation that garment workers in a given country ordinarily receive during a single calendar year, whether as a statutory requirement or as established industry practice and most commonly including the annual bonuses that are paid to garment workers throughout much of Asia and Latin America.

studies profiled in this report, the WRC researchers defined the goods and services required to meet the basic needs of a worker and his/her dependents as including: food and water, housing and energy, clothing, health care, transportation, education and childcare, and “modest funds for savings and discretionary spending.” Their calculations assumed an average family of four with one full-time worker, and one additional wage earner whose income covers one-quarter of the families’ expenses. Based on this formula, a living wage would have to meet the basic needs of one adult worker and two school-age children.

For its 2013 report, the WRC updated its 2008 DR research findings, using World Bank consumer price inflation data, to estimate living wages for 2001 and 2011. They then used the World Bank’s PPP conversion factors for the other countries studied to estimate living wage figures for those countries in 2001 and 2011.²¹ These rough living wage projections were used to calculate the annual rate of convergence or divergence of the prevailing wage and living wage in each country over the 10-year period.

In its report, the WRC acknowledged the limitations of this methodology and their preference for market basket research in each country in order to arrive at actual living wage figures. “Conducting such individual studies was beyond the scope of this report, which focused on the actual prevailing wages paid to garment workers during the period under study,” they explained.

Applying methodology adopted by the WRC for assessing a living wage in the Dominican Republic, the AFL-CIO Solidarity Center carried out a study in Haiti in 2014.²² The study found that most Haitian garment workers barely make enough to pay for their lunch and transportation to and from work and that a living wage for Haitian workers would be 26,150 HTG a month (about US\$607).

For its study, the Solidarity Center hired a Haitian researcher to independently survey cost of basic necessities and to interview workers to verify his findings. It used the same basic needs expense categories as the WRC.

C. WHAT SHOULD BRANDS DO TO ACHIEVE A LIVING WAGE?

In recent years, prominent organizations in the international labour rights movement, including the Clean Clothes Campaign (CCC) and Action Aid, have begun to articulate the movement’s expectations of brands to achieve progress towards a living wage, and to measure and rate brands’ progress in meeting those expectations.

Brands have traditionally argued that responsibility for wages is primarily, if not exclusively, in the hands of the legal owners of the factories who directly employ the workers. They also often argue that their percentage of production in any particular factory at any particular time is insufficient to leverage wage increases for all the workers in that facility, and that collaboration among brands on wages and pricing in shared factories could expose them to charges of price fixing under anti-trust legislation of their home countries.

CCC and other international labour rights organizations have responded to these arguments by documenting the role of brands’ purchasing practices in constraining workers’ ability to negotiate higher wages, and by challenging brands to develop longer-term relationships with fewer trusted suppliers, and to work with those suppliers, other brands and trade union and labour rights organizations to explore ways to increase prices and wages without running afoul of anti-trust regulations.

²¹The WRC notes that its living wage estimates are intended as a benchmark and not as a reliable living wage estimates, given that local expenditure patterns will be different for each country.

²²*The High Cost of Low Wages in Haiti, Living Wage Estimate for Export Apparel Workers*, Solidarity Center AFL-CIO, April 2014. <http://www.solidaritycenter.org/Files/Haiti.Living%20Wage%20Study%20FINAL%20updated.4.29.pdf>

CCC is currently targeting major European apparel brands, demanding that they take the following steps toward achieving a living wage in their supplier factories.²³

1. Endorse a living wage policy
2. Respect freedom of association
3. Enter into dialogue with workers and their organizations
4. Publicly endorse a living wage benchmark
5. Amend their purchasing practices so that suppliers can pay a living wage
6. Conduct pilot programs involving suppliers, trade unions, and labour support groups to find concrete ways to implement a minimum living wage
7. Advocate to governments in sourcing countries for minimum living wages
8. Be transparent on the company's programs and efforts to achieve a living wage
9. Collaborate with others on efforts to achieve a living wage
10. Present a road map with concrete timelines for payment of a living wage

On Pricing

Focusing on the question of whether the prices brands pay to their suppliers are sufficient to pay a living wage, ActionAid has developed the following eight-step approach that brands should take to establish the actual labour cost for the production of an item of clothing and to alter the price paid to the supplier in order that the supplier can pay a living wage to workers:²⁴

- Identify the "Standard Minute Value"²⁵ for the production of an item of apparel;
- Determine factory efficiency by identifying the

Actual Minute Value"²⁶ in the production of an item of apparel;

- Calculate the existing labour cost per garment;
- Identify the local living wage in consultation with unions;
- Calculate the living wage rate per garment;
- Include the labour cost as a separate element in the cost sheet;
- Stipulate in the commercial contract that this amount will be disclosed and transferred to workers;
- Invite and support workers to organize themselves to decide how the living wage amount should be distributed, and promote mature industrial relations within the factory.

At least partially in response to ActionAid's proposals, a few European companies initiated or took part in pilot projects on wages in South Asian countries. (Some of these initiatives began before the release of the ActionAid report.) The focus of these pilot projects appears to be on increasing productivity and moving to lean manufacturing as the primary means of achieving higher wages, rather than assessing whether prices paid to suppliers need to be increased.²⁷

D. WHAT ARE BRANDS DOING TO ACHIEVE A LIVING WAGE?

At least partially in response to the living wage campaigns and initiatives of trade union and labour rights groups described above, some leading brands have been compelled to look more seriously at the living wage issue, and a few of those companies are beginning to measure the gap between existing wages and a living

²³"Road Map to a Living Wage, Expectations from NGOs and trade unions towards brands and retailers," Clean Clothes Campaign, July 2, 2013. <http://www.cleanclothes.org/livingwage/road-map-to-a-living-wage>

²⁴"Eight steps towards a living wage: A costing model for clothing brands and retailers," Action Aid, March 2011. This approach is based on a methodology developed by Doug Miller, past chair of the Ethical Fashion program at the University of Northumbria, UK, which was jointly sponsored by Inditex and the ITGLWF. http://www.actionaid.org.uk/sites/default/files/doc_lib/actionaid_living_wage_model_-_final.pdf

²⁵ Standard Minute Value is the estimated time it takes for a worker or group of workers to complete the manufacture of a garment.

²⁶ Actual Minute Value is the actual time it takes for a worker or group of workers to complete the manufacture of a garment.

²⁷ See ActionAid's critique of an Asda pilot project in Bangladesh:

https://www.actionaid.org.uk/sites/default/files/doc_lib/the_real_asda_price.pdf. For report on Tesco/Impactt Limited pilot project in India and Bangladesh, see "Responsible and Accountable Garment Sector Challenge Fund (RAGS): Working Together for a Responsible RMG Sector – Lessons Learned," RAGS, November 2013.

Fair Food Program

The Fair Food is an interesting example of a living wage initiative in which brands increase the price they pay to suppliers in order that they can pay a living wage to workers. In response to a long and very public campaign in the United States led by the Florida-based Coalition of Immokalee Workers, major fast food companies, including McDonald's, Yum Brands (owner of Taco Bell, Pizza Hut and KFC), Burger King and Walmart, have agreed to pay one cent more per pound of tomatoes they buy, and to ensure that that money goes to the agricultural workers who pick the tomatoes (http://ciw-online.org/ffp_faq/).

wage. However, these companies have tended to regard the living wage as a very long-term objective and have viewed increased productivity at the factory level as the primary tool to achieve a living wage.

One exception to this rule is the Alta Gracia factory in the Dominican Republic where unionized workers are currently being paid a living wage to make licensed clothing exclusively for the US university market.²⁸ The owner of this model factory, Knights Apparel, has an agreement with the Worker Rights Consortium (WRC) that allows the WRC to carry out periodic investigations to verify that workers are being paid a living wage and that their labour rights are being respected. Knights Apparel also owns other factories in the region, but the workers employed in those factories do not receive a living wage.

So far, few, if any, brands have undertaken programs that involve the level of commitment to achieving a living wage outlined by CCC and Action Aid. Some of the steps that have been taken are reflected in a March 2014 CCC report entitled "Tailored Wages,"²⁹ in which the CCC assesses and rates 50 major apparel brands based on their policies and practices related to the living wage issue.

CCC's research found that while half of the brands surveyed included wording in their codes of conduct saying that wages should be sufficient to meet workers' basic needs, only four of

the companies – Inditex (owner of Zara), Marks & Spencer, Switcher, and Tchibo – were able to show that they were taking any clear steps toward implementing this commitment.

Seven of the brands surveyed have adopted what CCC considers a credible living-wage "benchmarking tool," with which they can measure what constitutes a living wage in a particular country and communicate that to their suppliers and other stakeholders. All seven have started using "living wage ladders" to measure progress towards a living wage. One step in the ladder is the Asia Floor Wage. Of those companies, only Puma has production in Central America. Five of the brands surveyed, none with sourcing in Central America, were doing work to calculate the labour costs involved in the manufacture of each product, data that could, at least in theory, be used to determine the increase needed in the price they pay for each garment to allow the supplier to pay workers a living wage.

Many of the brands that responded to the CCC questionnaire referred to their involvement in the Fair Wage Network, in which companies measure progress made by their suppliers on a number of issues related to wages and other compensation. However, the urgent need for concrete action toward achieving a living wage is not given a high priority in this approach (see box below).

²⁸ For information on Alta Gracia, go to: <http://altagraciaapparel.com/about.html>

²⁹ *Tailored Wages, Are the big brands paying the people who make our clothes enough to live on?* Clean Clothes Campaign, 2014. <https://www.cleanclothes.org/livingwage/tailoredwages/tailored-wage-report-pdf>.

Although most of the companies surveyed by CCC are based in Europe and do not have a strong presence in Latin America, some are significant in the region, including Gap, Levi's, New Balance, Nike, Puma, and VF Corp. Of those brands, Puma, Nike and adidas scored highest in CCC's company ratings, based on their endorsement of the principle of a living wage, their support for freedom of association, and/or their willingness to work with unions and NGOs.³⁰ Puma received the highest rating of the three for having a living wage benchmark and for using a wage ladder approach, in which

the Asia Floor Wage is one of the steps on the ladder, to monitor progress toward payment of a living wage.

E. MULTI-STAKEHOLDER INITIATIVES AND THE LIVING WAGE

There are four multi-stakeholder initiatives (MSIs) that are relevant to the garment industry, the Ethical Trading Initiative, based in the UK, the Fair Wear Foundation, based in the Netherlands, and Social Accountability International and the Fair Labour Association, both based in the US. While

The Fair Wage Approach

The Fair Wage Network is an initiative of former president and CEO of the Fair Labor Association (FLA), Aurret van Heerden, and ILO wage expert, Daniel Vaughan-Whitehead. Although it has been associated with the FLA, it is technically an independent initiative, and it is unclear whether or to what degree the FLA is currently using this approach to assess compensation issues in its audits of supplier factories of its member companies. However, some individual FLA-member companies, including Nike, adidas, Puma and H&M, are using this approach to assess their suppliers' wage and compensation policies and practices.

The "fair wage approach" is a way of identifying and measuring an employer's practices that determine whether workers are being properly compensated according to national labour law and the brand's code of conduct. Unlike the other initiatives discussed in this paper, the Fair Wage approach does not focus on payment of a living wage, though it is one of the issues assessed. Instead, it measures 12 employer practices related to wages and other compensation:

- Full and timely payment of wages;
- Living wage;
- Minimum wage;
- Prevailing wage;
- Proper payment for hours worked;
- Pay systems, such as production bonuses, social security payments, wage deductions;
- Wages in relation to profits;
- Wages in relation to cost of living increases;
- Wage costs (as compared to total production costs);
- Wage discrimination;
- Social dialogue and communication, such as collective bargaining; and
- Wages in relation to increased skills and technology.

When brands rate these supplier practices, no higher or lower importance is given to any one practice. For instance, payment of a living wage is given no more importance than compliance with local legal requirements. As a result, it is unlikely that the issue of a living wage is being given much serious attention.

<http://www.fair-wage.com/en.html>

<http://fair-wage.com/en/fair-wage-approach-menu/12-fair-wage-dimensions-menu.html>

³⁰ All of these company profiles are available in Spanish from MSN.

all have living wage language in their Codes of Conduct, only one – the Fair Wear Foundation, has prioritized achieving living wages as part of its program.

i. Ethical Trading Initiative (ETI)

Based in the UK, the ETI includes more than 80 companies, predominantly in the food and clothing sectors. The TUC (the UK's national union confederation) and global unions (ITUC, IndustriALL and, through a UK affiliate, IUF), and as well as labour rights NGOs, are represented on the ETI's governing board. While the majority of its member companies do not source from the Americas, two exceptions are Gap and Inditex (Zara).

The ETI Base Code includes a wage provision that states that wages "should always be enough to meet basic needs and provide some discretionary income." To date, however, most ETI-member companies have regarded this as an "aspirational" standard that they are expected to work with suppliers to achieve over time.

A project proposed in 2008 for ETI-member companies to collectively implement living wages did not proceed. Instead several major brands embarked on pilot projects with their garment suppliers to improve productivity at factories (in South Asia and China), often using 'lean manufacturing' techniques to raise wages while reducing overtime. The companies reported wage rises of up to 40%. While ETI-member NGOs and unions welcomed these projects, they pointed out that wages remained low and that productivity gains were not equitably shared with the workforce.³¹ The approach is resource intensive and has only been rolled out across a small number of factories.

The ETI is currently participating in a project led by the Dutch government and the European Union entitled "A Roadmap to a Living Wage."³² As part of that initiative, the ETI is facilitating two multi-stakeholder "learning circles," one

focusing on garment and the other on the agricultural sector. The aim is to share best practice on how to achieve a living wage. The brand members of the garment grouping have been working together to develop common principles for action on the living wage, which are being discussed with IndustriALL, a member of ETI's governing board.

ii. Fair Wear Foundation (FWF)

The FWF is a multi-stakeholder initiative based in the Netherlands that includes approximately 80 brands and retailers, the majority of which are relatively small Dutch and other European retailers and brands, but there are also some large corporate members. The FWF governing board includes an equal number of representatives from unions, NGOs, including the CCC, and the business associations of the retailers and manufactures.

The FWF code includes a wage provision that states: "Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and provide some discretionary income."

The FWF has adopted the "wage ladder" approach to achieving a living wage in supplier factories of member companies. It works with local partners in countries producing garments for member companies to collect information on the following benchmarks in the wage ladder:

- Legal minimum wage
- Poverty line
- Average industry wage
- Wages negotiated through collective bargaining
- Living wage estimates of local stakeholders (trade unions, labour rights organizations, etc.)

The wage ladder information is publicly available, and the FWF claims that it works with local stakeholders to keep the data updated. It also includes information on differences in wages between men and women by department, and between departments.

³¹ Email correspondence with Peter Williams, Chair, ETI NGO Caucus

³² <http://www.coc-runder-tisch.de/index.php/en/european-conference-on-living-wages>

The FWF takes a pragmatic approach to tackling questions that have blocked progress on implementation of a living wage for more than a decade. Its recent work has focused on answering the following questions on living wage implementation: “How do we measure it? How much does it cost? How do we ensure increases reach workers?”³³ FWF worked with its member outdoor clothing companies in the European Outdoor Group on a pilot project in China and Vietnam exploring the implications of increasing the base wage to meet living wage levels, including what increases would be needed to workers’ wages and how this increase would affect the cost of each product for the brands and consumers.³⁴

The FWF is developing a tool for factories and brands to use to estimate the cost of increasing wages from current levels to a living wage level, which is currently being piloted in Macedonia.³⁵ Two FWF member companies, Nudie Jeans and Switcher, have also experimented with distribution of wage premiums to workers. In neither case did workers receive a full living wage, but the companies did work with factories to increase the FOB (freight on board) price for each product and ensured that these increases were distributed to workers.³⁶

Other FWF initiatives on wages include small pilot projects looking at the link between increased productivity and increased wages, and guidance for companies on how to collaborate on efforts to improve wages without violating EU anti-trust legislation.

iii. Social Accountability International (SAI)

SAI is a factory certification initiative, in which accredited social auditing organizations verify compliance with the SA8000 Standard, which is based on ILO Conventions. The SA8000 Standard includes a living wage provision similar to that of the Fair Wear Foundation, though payment of a living wage is not required for a factory to be SA8000 certified. SAI does not currently have representatives of trade union or labour rights organizations on its governing board or advisory board.

As noted above, SAI co-published a recent study authored by Richard and Martha Anker on living wages for rural agricultural workers in the Dominican Republic, using Anker’s living wage methodology. It is still unclear whether this methodology will be incorporated into SAI certification audits.

iv. Fair Labor Association (FLA)

The FLA includes a number of major US and some European brands, as well as some US manufacturers, whose apparel products are made in Central America.³⁷ The FLA does not currently have representatives of trade union or labour rights organizations on its governing board.

The FLA has adopted a “basic needs wage” provision in its Workplace Code of Conduct, which states: “Every worker has a right to compensation for a regular work week that is sufficient to meet the worker’s basic needs and provide some discretionary income... Where compensation does not meet workers’ basic needs and provide some discretionary income, each employer shall work

³³ Living Wage Engineering, FWF, 2014:

http://www.fairwear.org/ul/cms/fck-uploaded/documents/fwfpublishations_reports/LivingWageEngineering20141.pdf

³⁴ Ibid.

³⁵ For more information on the project, visit:

http://www.fairwear.org/534/news/news_item/fwf-launches-new-living-wage-project-in-macedonia/?id=401

³⁶ Switcher is paying three cents extra for each garment made at a supplier factory in Bangladesh. Once a year monies from its solidarity fund are distributed to all workers in the factory, including those that didn’t work on Switcher T-shirts. Visit: <http://switcherland.ch/en/whiter-than-white-how-spotless-is-your-t-shirt/>

³⁷ For example, corporate members of the FLA include: adidas Group, American Eagle Outfitters, Dallas Cowboys Delta Activewear, Fruit of the Loom/Russell, Gildan Activewear, Hanesbrands, Knights Apparel, New Balance, Nike, Patagonia, Puma, PVH, Sanmar, Under Armour, and VF Corporation.

with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does.”

However, there is no evidence to date that FLA factory audits are measuring the difference between current wages and a basic needs wage, nor that the FLA is working with member companies and/or their suppliers on the development of strategies and steps to achieve a living wage.

F. CONCLUSION

Despite all the challenges in a globalized, highly mobile and extremely competitive garment industry, the living wage issue is now firmly on the agenda of trade union, women’s and human and labour rights organizations around the world, as well as a few international brands. Brands and their suppliers can no longer ignore the fact that workers’ wages are much lower than what they and their families need to even meet their basic needs.

While many brands continue to insist that it is impossible to gain agreement on a common formula for calculating a living wage, a number of studies and practical experiments have shown that there is considerable agreement on key elements of a methodology to do so. In fact, most of these experiments have adopted very similar criteria for measuring the basic food and non-food expenses of workers and their dependents, and for making living wage estimates.

Both national and regional living wage initiatives have also highlighted the need for some flexibility in applying these criteria to local realities in order to take into consideration the average family size of workers in the sector, average number of wage earners per family, actual food costs and the ratio of food to non-food costs, and expenses covered by government and/or employer programs and subsidies.

In order for living wage studies to have practical benefits for workers, however, it is important that their organizations have a role in the process. In some cases, such as the Asia Floor Wage and

CCC campaigns, workers’ organizations have had a central role in market basket research in their respective countries, in deciding how the methodology used to measure basic needs should be adapted to their national and/or regional reality, and in determining and negotiating appropriate living wage levels. In studies in which academics or external labour rights organizations carry out the actual research, it is essential that workers and their organizations be consulted as part of the research process and that the methodology and findings be accessible to those organizations in order that they can be used as benchmarks in campaigns and wage negotiations.

An important objective of international and regional living wage campaigns has been to bring international brands into the negotiation process, particularly on the issue of the prices they pay to their suppliers and how they will ensure that any increase in those prices will go to improve workers’ wages, rather than to increase the suppliers’ profits. While these campaigns have not yet been fully successful in achieving this objective, they have forced some international brands to do their own living wage measurement studies and to establish living wage benchmarks for their supplier factories. In some cases, the Asia Floor Wage has been accepted as an important benchmark in measuring progress. However, if these company-led living wage initiatives focus solely, or primarily, on increasing productivity at the factory level, they will fail to address the underlying problem of price competition.

This review suggests that methodologies that have been used to define and measure a minimum living wage or floor wage for garment workers in Asia, Eastern Europe and the Dominican Republic could be adapted for use in other countries and regions. Whether trade unions and/or women’s and worker rights organizations decide to launch national or regional living wage initiatives is as much a political question – whether there is sufficient commitment to collaboration – as a technical one. ■